

106TH CONGRESS
2D SESSION

H. R. 4287

To establish a direct loan program for less-than-half-time students to improve their job skills, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 13, 2000

Mr. BAIRD introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To establish a direct loan program for less-than-half-time students to improve their job skills, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Financial Aid for Skill
5 Enhancement Act of 2000”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1 (1) Approximately 3,500,000 students (18 per-
2 cent of all undergraduate students) attend institu-
3 tions on a less than half-time basis.

4 (2) Currently, students who are not in a degree-
5 seeking program, or attend school less than half-
6 time, are not eligible for federal financial aid.

7 (3) Individuals in the 21st century workforce
8 will be expected to enhance their skills on a regular
9 basis in order to keep up with constantly changing
10 technology.

11 (4) Time and cost are the most frequently re-
12 ported barriers to participation in work-related
13 courses.

14 (5) Access to financial aid must be more widely
15 available to people who have family or work respon-
16 sibilities, or both.

17 (6) Employers will require that workers in the
18 21st century economy have training beyond high
19 school.

20 (7) Job security and success in the 21st century
21 economy will be dependent on workers access to life-
22 long learning skills.

23 (8) Approximately 20 percent of United States
24 workers are landing jobs with employers that offer

1 job security, training, and opportunities for lifelong
2 learning.

3 (9) Approximately 40 percent of American
4 workers are not receiving education after high
5 school. These workers may not be able to compete
6 for the best jobs in the 21st century economy.

7 (10) As America is forced to compete increas-
8 ingly in a global marketplace, employers must have
9 the best trained workforce in the world.

10 (11) Employers must have the domestic capac-
11 ity to fill the jobs of the 21st century economy.

12 **SEC. 3. ESTABLISHMENT OF PROGRAM.**

13 Part D of title IV of the Higher Education Act of
14 1965 is amended by inserting after section 460 (20 U.S.C.
15 1087j) the following new section:

16 **“SEC. 460A. DIRECT LOANS FOR LESS-THAN-HALF-TIME**
17 **STUDENTS.**

18 “(a) PURPOSE.—It is the purpose of this section to
19 establish a direct loan program at qualifying public insti-
20 tutions to provide loans to less-than-half-time students to
21 cover the costs of programs providing instruction to enable
22 those students to acquire or improve job skills.

23 “(b) PROGRAM AUTHORITY.—From the funds appro-
24 priated under subsection (g), the Secretary shall provide
25 funds to qualifying public institutions, or consortia there-

1 of, that have entered into agreements with the Secretary
 2 under subsection (c), or to alternative originators des-
 3 ignated by the Secretary, to make loans to eligible part-
 4 time students at those institutions in accordance with the
 5 requirements of this section.

6 “(c) PARTICIPATION AGREEMENTS.—

7 “(1) ELIGIBILITY OF INSTITUTIONS; CON-
 8 SORTIA.—The Secretary shall enter into a participa-
 9 tion agreement under this subsection with any quali-
 10 fying public institution, or consortia thereof, that
 11 submits to the Secretary a request for participation
 12 and a demonstration of its status as a qualifying
 13 public institution. Subject to such requirements as
 14 the Secretary may prescribe, two or more qualifying
 15 public institutions may apply to the Secretary as
 16 consortia to enter into agreements with the Sec-
 17 retary to originate loans under this section for stu-
 18 dents in attendance at such institutions.

19 “(2) ALTERNATIVE ORIGINATORS.—The Sec-
 20 retary shall, by regulation, establish qualifications
 21 for an organization to enter into an agreement with
 22 the Secretary as an alternative originator.

23 “(3) TERMS OF AGREEMENTS.—An agreement
 24 under this section shall—

1 “(A) provide for the establishment and
2 maintenance of a direct student loan program
3 at the institution under which the institution
4 will—

5 “(i) identify eligible part-time stu-
6 dents who seek student financial assistance
7 at such institution;

8 “(ii) determine the amount of eligible
9 education expenses of such students;

10 “(iii) provide a statement that cer-
11 tifies the eligibility of any student to re-
12 ceive a loan under this section that is not
13 in excess of such eligible educational ex-
14 penses;

15 “(iv) provide timely and accurate
16 information—

17 “(I) concerning the status of stu-
18 dent borrowers while such students
19 are in attendance at the institution
20 and concerning any new information
21 of which the institution becomes
22 aware for such students after such
23 borrowers leave the institution, to the
24 Secretary for the servicing and col-

1 lecting of loans made under this part;
2 and

3 “(II) if the institution does not
4 have an agreement with the Secretary
5 under this subsection, concerning stu-
6 dent eligibility and eligible educational
7 expenses to the Secretary as needed
8 for the alternative origination of loans
9 to eligible part-time students;

10 “(B) provide assurances that the institu-
11 tion will comply with requirements established
12 by the Secretary relating to student loan infor-
13 mation with respect to loans made under this
14 section;

15 “(C) provide that the institution accepts
16 responsibility and financial liability stemming
17 from its failure to perform its functions pursu-
18 ant to the agreement;

19 “(D) provide that the institution will not
20 charge any fees of any kind, however described,
21 to student borrowers for origination activities or
22 the provision of any information necessary for
23 a student to receive a loan under this section,
24 or any benefits associated with such loan;

1 “(E) provide that the institution or consor-
2 tium will originate loans to eligible part-time
3 students in accordance with this section, and
4 that such origination may include the accept-
5 ance of applications by means of the Internet or
6 other electronic means;

7 “(F) provide that the note or evidence of
8 obligation on the loan shall be the property of
9 the Secretary; and

10 “(G) include such other provisions as the
11 Secretary determines are necessary to protect
12 the interests of the United States and to pro-
13 mote the purposes of this section, except that
14 the Secretary shall not require any institution
15 to perform any needs analysis of any applicant
16 for a loan under this section.

17 “(3) WITHDRAWAL AND TERMINATION PROCE-
18 DURES.—The Secretary shall establish procedures by
19 which institutions or consortia may withdraw or be
20 terminated from the program under this section.

21 “(d) TERMS AND CONDITIONS OF LOANS.—

22 “(1) IN GENERAL.—A note or other evidence of
23 a loan under this section shall—

24 “(A) require the borrower to repay the
25 loan, together with interest thereon, in install-

1 ments beginning not less than one month after
2 the conclusion of the period of enrollment for
3 which the loan was made and ending not later
4 than one year thereafter, except that the bor-
5 rower shall be entitled to accelerate, without
6 penalty, repayment on the borrower's loans
7 under this section;

8 “(B) obligate the borrower to pay interest
9 on the outstanding balance of the loan at a rate
10 prescribed by the Secretary taking into account
11 the purposes of this section;

12 “(C) require the borrower to participate in
13 exit counseling under section 485(b); and

14 “(D) contain such additional terms and
15 conditions as the Secretary may require to pro-
16 tect the interests of the United States and to
17 promote the purposes of this section.

18 “(2) DEFERMENT.—A borrower of a loan under
19 this section who meets the requirements of section
20 455(f)(2) shall be eligible for a deferment, during
21 which periodic installments of principal need not be
22 paid, and interest shall accrue and be capitalized or
23 paid by the borrower.

24 “(3) SIMPLE APPLICATION.—The common fi-
25 nancial reporting form required in section 483(a)(1)

1 shall not be required for an application for a loan
2 under this section. The Secretary shall prescribe by
3 regulation a simple form for determining eligibility
4 for and the amount of loans under this section.

5 “(4) LOAN DISBURSEMENT.—Proceeds of loans
6 to students under this part shall be applied to the
7 student’s account for tuition and fees. The Secretary
8 shall establish periods for the payments of such pro-
9 ceeds in a manner consistent with payment of Fed-
10 eral Pell Grants under subpart 1 of part A of this
11 title.

12 “(e) FISCAL CONTROL AND FUND ACCOUNT-
13 ABILITY.—Section 454(k) shall apply to funds provided
14 under this section.

15 “(f) CONTRACTS FOR ORIGINATION, SERVICING, AND
16 DATA SYSTEMS.—The Secretary may enter into contracts
17 for—

18 “(1) the alternative origination of loans to eligi-
19 ble part-time students attending qualifying public in-
20 stitutions with agreements to participate in the pro-
21 gram under this part, if such institutions do not
22 have agreements with the Secretary under sub-
23 section (c); and

24 “(2) the servicing and collection of loans made
25 under this section.

1 “(g) AUTHORIZATION OF APPROPRIATIONS.—There
2 are authorized to be appropriated to provide funds for
3 loans under this section such sums as may be necessary
4 for fiscal year 2001 and for each of the 4 succeeding fiscal
5 years.

6 “(h) DEFINITIONS.—As used in this section:

7 “(1) QUALIFYING PUBLIC INSTITUTIONS.—The
8 term ‘qualifying public institution’ means an institu-
9 tion that—

10 “(A) is an eligible institution under section
11 435(a); and

12 “(B) is a public institution that provides
13 an educational program for which the institu-
14 tion awards a bachelor’s degree or provides not
15 less than a 2-year program that is acceptable
16 for full credit toward such a degree.

17 “(2) ELIGIBLE PART-TIME STUDENT.—The
18 term ‘eligible part-time student’ means a student
19 that is an eligible student as determined under sec-
20 tion 484, except that—

21 “(A) the student does not meet the re-
22 quirements of section 484(a)(1), but is enrolled
23 or accepted for enrollment in a program of in-
24 struction the expenses for which are eligible
25 education expenses;

1 “(B) the student is not required to meet
 2 the requirements of section 484(a)(2), but the
 3 Secretary may by regulation prescribe limita-
 4 tions to prevent abuse;

5 “(C) the institution may require students
 6 to establish credit worthiness a condition of ob-
 7 taining a loan under this section;

8 “(D) a student who has obtained a loan or
 9 loans to cover eligible education expenses for 4
 10 courses of instruction shall not be an eligible
 11 part-time student until such loan or loans are
 12 repaid.

13 “(3) ELIGIBLE EDUCATION EXPENSES.—The
 14 term ‘eligible education expenses’ means the tuition
 15 and fees, and the cost of any books, required with
 16 respect to any course of instruction at a qualifying
 17 public institution to acquire or improve job skills of
 18 an individual.”.

19 **SEC. 4. EMPLOYER PAYMENTS ON DIRECT LOANS FOR**
 20 **LESS-THAN-HALF-TIME STUDENTS EXCLUD-**
 21 **ABLE FROM GROSS INCOME.**

22 (a) IN GENERAL.—Subparagraph (A) of section
 23 127(c)(1) of the Internal Revenue Code of 1986 (relating
 24 to employer-provided educational assistance programs) is
 25 amended by striking “and equipment)” and inserting “and

1 equipment, and payments on loans made under section
2 468A of the Higher Education Act of 1965 (relating to
3 direct loans for less-than-half-time students))”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to payments made after the date
6 of the enactment of this Act.

○